DEPARTMENT OF HEALTH AND HUMAN SERVICES

Fiscal Year

2006

Office of Inspector General

Justification of Estimates for Appropriations Committees

Message from the Acting Inspector General

I am pleased to present the Office of Inspector General (OIG) FY 2006 Discretionary Performance Budget. The OIG has been a results-driven organization from its beginning, having reported to the Congress on its performance semiannually since its establishment in 1977 as the first statutorily-mandated OIG in the Federal Government.

This performance budget presents the focus and results of OIG work. The orderly growth of OIG made possible by the funding authorized in the Health Care Fraud and Abuse Control section of the Health Insurance Portability and Accountability Act of 1996 increased our capacity to achieve results; and OIG recommendations implemented in the Balanced Budget Act of 1997 and the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 contributed to recoveries and savings of $27 billion in FY 2004.

Our reviews in such areas as grants management, patient safety, access to health care, protecting human research subjects, strengthening the nation's defenses against bioterrorism, ensuring the safety of our food supply, and balancing the speed with which drugs are approved for marketing, with the need to assure their safety and effectiveness, also contribute to the Department's strategic goals to improve public health and human services.

We are confident that the OIG will continue to be a solid investment for the taxpayers as it works with the Department to safeguard and improve HHS programs over the years ahead.

Daniel R. Levinson

Daniel R. Levinson
Acting Inspector General

OFFICE OF INSPECTOR GENERAL
FY 2006 PERFORMANCE BUDGET SUBMISSION
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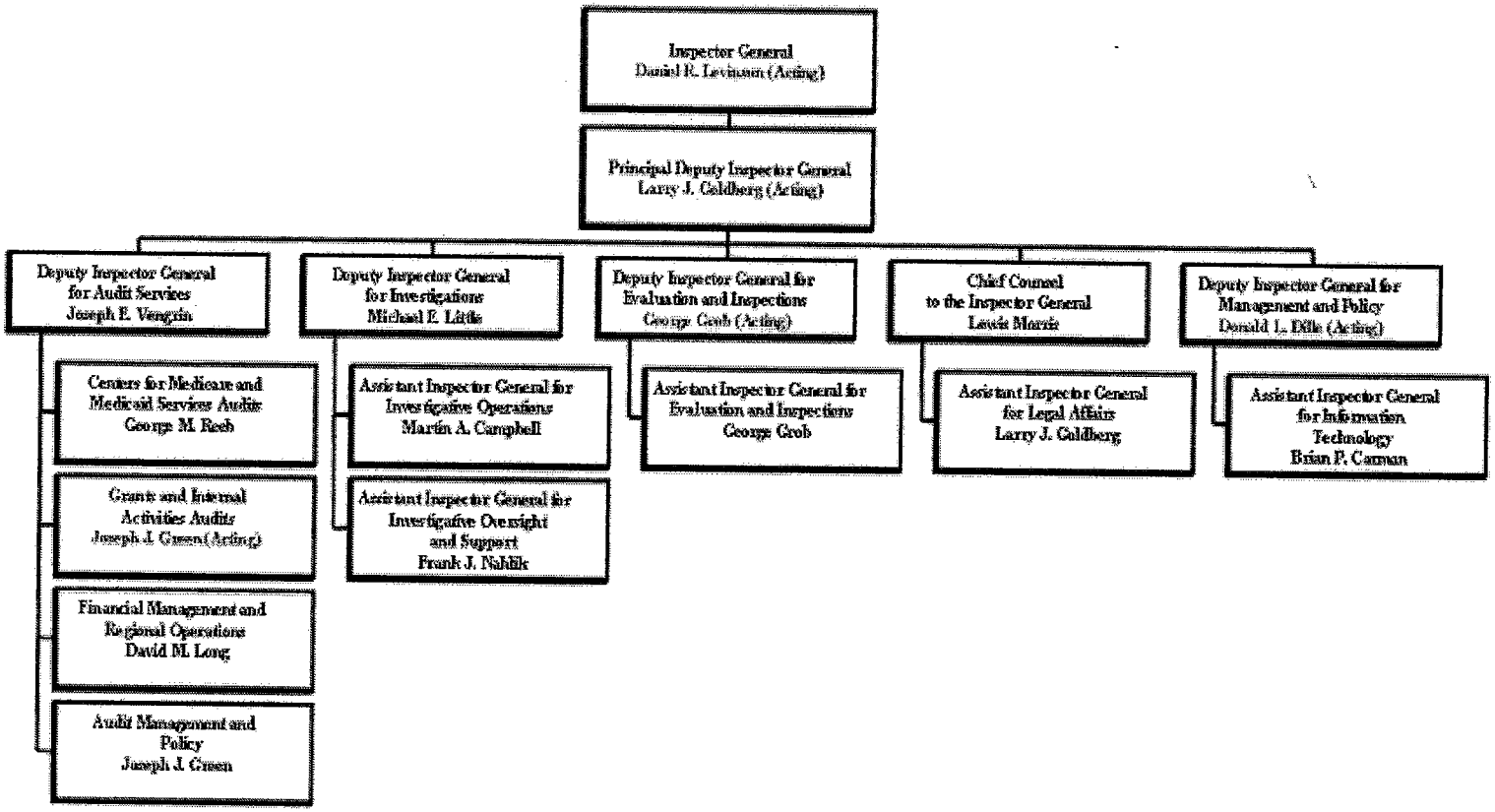

Performance Budget Overview

OFFICE OF INSPECTOR GENERAL
PERFORMANCE BUDGET OVERVIEW

Program Description

The Inspector General Act of 1978 (P.L. 95-452) (IG Act), as amended, is the authorizing legislation for the OIG, and defines its purposes as an independent and objective unit –

- to conduct and supervise audits and investigations relating to the programs and operations of its Agency;
- to provide leadership and coordination and recommend policies for activities designed (a) to promote economy, efficiency, and effectiveness in the administration of, and (b) to prevent and detect fraud and abuse in such programs and operations; and
- to provide a means for keeping the head of the Agency and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

The OIG components provide oversight of all Department of Health and Human Services (HHS) programs and provide policy guidance and technical expertise to the Department, its contractors, other Federal agencies, and private organizations. Nearly 80 percent of OIG activities are carried out in more than 90 area and field offices consisting of auditors, investigators, and evaluation specialists.

The most important role of the OIG is fighting fraud, waste, and abuse in HHS programs and improving their economy, efficiency, and effectiveness. The OIG's heightened emphasis on interdisciplinary teamwork within its own organization and greater collaboration with other HHS components and Federal and State agencies has greatly improved its response to the problems within the Department's programs. The effect of these associations has greatly enhanced the OIG's ability to safeguard Federal dollars allotted to HHS programs and to protect their beneficiaries.

Details of OIG's accomplishments can be found in our Semi-Annual Reports. The reports can be accessed at our website www://oig.hhs.gov/publications/semiannual.htm.

Mission Statement

The OIG's discretionary funding provides for the oversight of all the Department's programs and operations except for Medicare and Medicaid. Funding for Medicare and Medicaid oversight is provided by the Health Care Fraud and Abuse Control (HCFAC) Program, created by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The HHS has estimated budget outlays of $505 billion for FY 2003. While the Medicare and Medicaid programs account for the bulk of these dollars, the other HHS operating divisions administer about 300 programs with outlays

totaling over $98 billion. These programs, which affect the health and welfare of all Americans, cover such diverse issues as food and drug safety, welfare reform, and the well-being of the elderly and children.

The mission and goals of the OIG were derived from the IG Act and formally adopted as part of the OIG strategic planning process.

Mission

Under the authority of the IG Act, we improve HHS programs and operations and protect them against fraud, waste, and abuse. By conducting independent and objective audits, evaluations, and investigations, we provide timely, useful, and reliable information and advice to Department officials, the Administration, the Congress, and the public.

The OIG is an independent organization within the Department reporting to the Secretary and communicating directly with the Congress on significant issues. As a single program activity with a Department-wide mission, the OIG serves the entire U.S. population, all of whom benefit from HHS programs, but particularly those most vulnerable in our society, including the elderly, children, the ill, and the poor. Nearly 80 percent of OIG activities are carried out in more than 90 area and field offices consisting of auditors, investigators, and evaluation specialists.
In carrying out its mission, the OIG works with the Department, its Operating Divisions, the Department of Justice (DOJ), other agencies, and the Congress to bring about systemic changes, successful prosecutions, negotiated settlements, and recovery of funds.

The OIG's operations are funded from two budget accounts, the discretionary account, which at $39.1 million in FY 2004 represented about 20 percent of the entire budget of the office, and the HCFAC account, which is authorized a mandatory budget of $150-160 million, and represents the remaining 80 percent of operating funds.

Strategic Goals

The OIG Strategic Plan serves as the framework on which annual performance planning is done. It contains three strategic goals, the purposes of which are to:

- Impact programs in a positive way
- Operate effectively and efficiently
- Have a highly skilled and committed staff

The first strategic goal reflects the fundamental external purpose of the OIG. The second and third are internal management goals that improve the OIG's ability to achieve its fundamental external purpose.

- Planning and conducting audits, inspections, enforcement actions, investigations, and beneficiary and industry outreach, the purposes of which are to:
  - detect and prevent fraud, waste, and abuse,
  - contribute to reducing the risk of insolvency of the Medicare Trust Fund,
  - improve the efficiency and effectiveness of HHS programs, and
  - address issues of concern to the Secretary, the Administration, and the Congress;

- Effectively communicating information and recommendations that achieve maximum impact on HHS operations and the delivery of program services; and

- Fostering cooperation with decision-makers and others who share the OIG commitment to improve HHS programs, consistent with the OIG mission, goals, and objectives.

Overview of Performance

Performance Report Summary Table – The following table reflects the evolution of GPRA planning in OIG. The revised final FY 2005 plan and the FY 2006 plan contain five performance measures, of which three are outcome measures and one is an output measure. This last measure is currently a developmental measure.

GPRA Performance Report Summary Table[1]

FY	Total Measures in Plan	Outcome Measures	Output Measures	Efficiency Measures	Results Reported	Results Met	Results Not Met
2000	4	-	-	2	4	4	0
2001	6	-	1	3	5	5	1
2002	6	-	1	3	5	4	1
2003	4	3		1	4	1	3
2004	6	4	1[2]	1	5[3]	2	2
2005	2	1	1[4]		N/A	N/A	N/A
2006	2	1	1		N/A	N/A	N/A

[1]In FY 2000, 2001, and 2002, two measures are reported in the Total Measures column but do not appear anywhere else on the table because they were internal management measures not classifiable as outcome, output, or efficiency measures.

[2]Developmental measure: baseline and target established during FY 2004.

[3]Unreported result is the developmental measure, for which the baseline was set in FY 2004.

[4]Developmental measure.

Summary of Performance

The OIG met its FY 2004 targets in its key measure – savings. It did not achieve its targets in the two child support enforcement (CSE) performance measures. The fourth performance measure, the number of accepted quality and management improvement recommendations was under development in FY 2004.

Savings - FY 2004 total OIG savings was $29.9 billion – a 10 percent improvement over the $25.6 billion target, and 30 percent more than was reported in FY 2003. Strong performance in both components of this savings category – (1) expected recoveries and (2) funds not expended as a result of implemented OIG recommendations – contributed to the result.

Child Support Enforcement - OIG measures its performance in improving child support enforcement by setting targets and reporting on CSE convictions, and fines, penalties, and restitution to be collected. Actual FY 2004 performance for each measure did not meet the targets for the year. There were 169 convictions in FY 2004 – 36 fewer than in 2003; and FY 2004 fines, penalties, and restitution to be collected totaled $8.3 million – $1.3 million less than was reported in FY 2003. We attribute the drop to reduced referrals for Federal investigation as the States increasingly implement Project "Save Our Children" (PSOC) strategies that have demonstrated their value. As a result, OIG CSE performance measures are being discontinued.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL
OVERVIEW OF THE BUDGET
(Dollars in Thousands)

	FY 2004 Actual	FY 2005 Appropriation	FY 2006 Estimate	Increase or Decrease
BA[1]				
Discretionary	$ 39,094,000	$ 39,930,000	$ 39,813,000	$ -117,000
Mandatory (HCFAC)[2]	160,000,000	160,000,000	160,000,000	--
Trust Fund (MMA)	--	25,000,000	--	-25,000,000
Subtotal, BA	$199,094,000	$224,930,000	$199,813,000	$-25,117,000
FTE				
Discretionary	284	278	268	-10
Mandatory (HCFAC)	1,143	1,110	1,074	-36
Trust Fund (MMA)	--	64	--	-64
Total, FTE	1,427	1,452	1,342	-110

Rationale for the Budget

The OIG's discretionary budget for FY 2006 is $39,813,000 and 268 FTE. This is a decrease of $117,000 and 10 FTE from the FY 2005 Enacted. This funding supports OIG activities in FY 2006 to conduct independent and objective audits, evaluations, and investigations and provide timely, useful, and reliable information and advice to Department officials, the Administration, the Congress, and the public.

In FY 2005 OIG received $25 million to fight fraud, waste, and abuse associated with the implementation of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA). The FY 2006 budget request proposes to extend the date that OIG can obligate this $25 million by one year, from FY 2005 to FY 2006.

The OIG receives separate funding that can only be used for Medicare and Medicaid activities under the HIPAA legislation. These funds are provided through the HCFAC Account. Beginning in FY 2003, the legislation provides for OIG to receive not less than $150,000,000 and not more than $160,000,000 from the amount appropriated in the HCFAC Program. Actual allocation of the FY 2006 HCFAC Program resources will be determined by agreement between the Secretary of HHS and the Attorney General.

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[1]Excludes reimbursable funding and FTE as follows: Discretionary FY 2004 - $20,197,000 and 58 FTE; FY 2005 - $19,367,000 and 40 FTE; FY 2006 - $19,519,000 and 38 FTE; HCFAC FY 2004 - $3,663,000 and 15 FTE; FY 2005 - $7,730,000 and 15 FTE; and FY 2006 - $4,789,000 and 15 FTE.

[2]The FY 2006 level of mandatory funding for the OIG is an estimate. Actual allocation of the funds for the HCFAC Program will be determined jointly by the Secretary of HHS and the Attorney General.

Performance Analysis

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL
BUDGET NARRATIVE
(Dollars in Thousands)

Statement of Budget

The OIG's discretionary budget for FY 2006 is $39,813,000 and 268 FTE. This is a decrease of $117,000 and 10 FTE from the FY 2005 Enacted. This funding supports OIG activities in FY 2006 to conduct independent and objective audits, evaluations, and investigations and provide timely, useful, and reliable information and advice to Department officials, the Administration, the Congress, and the public.

Discretionary funding for OIG during the last five years has been as follows:

Fiscal Year	Funds	FTE
2001	$33,586,000	285
2002	$35,558,000	296
2003	$36,808,000	287
2004	$39,094,000	288
2005	$39,930,000	278

The President's appropriation request of $39,813,000 for this account represents current law requirement.

Performance Analysis

The IG Act and its amendments require the OIG to carry out its mandate across the entire department. The large number and diversity of HHS programs argue for the importance of adopting a few key performance measures that are applicable across programmatic lines. Absent that, we would be confronted with the unrealistic task of setting program-specific performance measures and achievement targets for hundreds of programs. Nevertheless, from time to time, there are OIG initiatives which, because of their priority for special attention within the department, warrant having explicit, program-specific performance measures.

To meet this challenge, OIG adopted two direct mission performance measures that apply across programs:

- ✓ OIG Savings
- ✓ Number of Accepted Quality and Management Improvement Recommendations

The OIG initiative with program-specific performance measures and targets is:

- ✓ Improve Child Support Enforcement (CSE)

OIG Savings Target and Actual Results

Expected recoveries and savings from funds not expended, which for the sake of brevity, we call "savings", does not lend itself to simple trend analysis as a basis for setting targets. The unpredictability of the dollar amounts and the timing of judicial or administrative resolution of the fraud, waste, and abuse that is found and expected to result in recoveries suggest that a multi-year moving average should be used to smooth the variability of year-to-year results; and serve as a basis for setting goals. The base for the expected recoveries goal for FY 2004 was set using the average of actual results for the most recently available three-year period. The goal was to achieve a 10 percent improvement over the average annual expected recoveries for that period. The goal for FY 2006 continues this approach by using the average of the period from FY 2002 to FY 2004.

Future savings from funds not expended as a result of implemented OIG recommendations is not set using a moving average. This is because most of the target for this measure is predetermined by Congressional Budget Office (CBO) scoring and estimates supplied by HHS operating divisions external to the OIG.

The FY 2004 target for this measure was predetermined savings, as decided by CBO and others outside the OIG, plus an additional $1 billion – or $25.6 billion. Applying the same approach, the revised final FY 2005 target is $33.1 billion, and the FY 2006 target is $36.6 billion.

FY 2004 total actual savings was $29.9 billion – a 10 percent improvement over the $25.6 billion target, and 30 percent more than was reported in FY 2003. Strong performance in both components of this savings category contributed to the result.

There will be a major change in reportable savings from funds not expended that will occur in FY 2008 as a result of the end of the CBO estimated 10-year stream of savings from the Balanced Budget Act of 1997 (BBA). Next year's plan (FY 2007) will be the first to contain two ways of looking at OIG savings – one with the FY 2007 BBA savings included, and the other with those savings excluded. The latter will provide a comparable point of reference and baseline for planning FY 2008 and beyond.

Qualitative Impact: Improve HHS Programs

In addition to documenting impact on improving HHS programs, the OIG adopted "The Number of Accepted Quality and Management Improvement Recommendations" as a developmental performance measure for FY 2005. Analysis took place during FY 2004 to determine the baseline and target for this new measure.

Work in Partnership with CMS to Reduce Medicare Payment Errors

The OIG was responsible for the work leading to calculation of the estimated and actual Medicare payment error rates for FYs 1996-2002. While OIG will continue efforts to assist CMS in reducing Medicare payment errors, and increase its efforts in the area of Medicaid payment errors, the ultimate responsibility for reducing these errors rests with CMS; therefore, OIG will no longer include HHS program payment error rates among its own performance measures.

Improve Child Support Enforcement

The OIG began conducting investigations of child support violators shortly after the passage of the Child Support Recovery Act of 1992 (the Act), making it a Federal misdemeanor crime for a parent in one state to refuse to pay past due support for a child in another state, when the support had been owed for more than one year, or exceeded $5,000. Any subsequent offense was a felony. An amendment to this Act created two other felony provisions for the most egregious first time violators.

In 1998, the OIG and Office of Child Support Enforcement (OCSE) initiated "Project Save Our Children" (PSOC), a task force model that was created to coordinate, identify, investigate, and prosecute criminal non-support cases. This model began as a pilot project in three states. By 2003, PSOC had successfully grown to ten task forces covering all 50 states. The PSOC was established to support efforts to process the child support cases through the Federal system, and help the States locate the obligor and identify his/her assets. With PSOC assisting States, there are now fewer referrals for Federal investigation.

Under PSOC, the OIG made the detection, investigation, and prosecution of absent parents who fail to pay court-ordered child support a priority, working with the OCSE, U.S. Department of Justice (DOJ), U.S. Attorney's Offices, U.S. Marshals Service, and other Federal, State and local partners to develop procedures to expedite the collection of child support and to bring to justice those who willfully disregard their obligations. In pursuing child support investigations, the OIG established strict criteria for the investigation of the most egregious offenders after the States had exhausted all efforts to locate and enforce the obligors to pay their financial obligation. The coordination of State sweeps with the OIG's Federal sweep in FY 2003 netted 250 defaulters who collectively owed over $4 million in child support obligations.

As shown in the table below, FY 2004 performance for each measure declined for the year. There were 169 convictions in FY 2004 – 36 fewer than in 2003; and FY 2004 fines, penalties,

and restitution to be collected totaled $8.3 million – $1.3 million less than was reported in FY 2003. We attribute the drop to reduced referrals for Federal investigation as the States increasingly implement PSOC strategies that have demonstrated their value. As a result, OIG CSE performance measures are being discontinued.

The OIG will continue to coordinate with Federal and State partners to pursue obligors who fail to pay their child support obligations, but will no longer include this work as part of its annual performance plan.

Budget and Performance Crosswalk
(Dollars in Millions)

Performance Program Area	Budget Activity	FY 2004 Enacted	FY 2005 PB	FY 2006 Estimate
Expected Recoveries, and Savings from Funds Not Expended	Discretionary/ HCFAC	N/A	N/A	N/A
Number of Accepted Quality and Management Improvement Recommendations	Discretionary/ HCFAC	N/A	N/A	N/A
Child Support Enforcement Convictions and Fines/Penalties/Restitution	Discretionary	N/A	Discontinued	Discontinued
Total		$180.3	$182.8	$199.8

Summary of Full Cost
(Dollars in Millions)

Performance Measure	FY 2004	FY 2005	FY 2006
1. Savings	$143.1	$144.5	$169.8
2. Number of Accepted Quality and Management Improvement Recommendations	$31.1	$31.4	$30.0
3. Child Support Enforcement Convictions 4. Child Support Enforcement Fines, Penalties, and Restitution to Be Collected	$6.1	Discontinued	Discontinued
Full Cost Total	$180.3	$175.9	$199.8

Relationship of OIG Current Discretionary Work Plan to HHS Strategic Goals

HHS Strategic Goals

1. Reduce the major threats to the health and well-being of Americans.
2. Enhance the ability of the nation's health care system to effectively respond to bioterrorism and other public health challenges.
3. Increase the percentage of the nation's children and adults who have access to regular health care and expand consumer choices.
4. Enhance the capacity and productivity of the nation's health science research enterprise.
5. Improve the quality of health care services.
6. Improve the economic and social well-being of individuals, families, and communities, especially those most in need.
7. Improve the stability and healthy development of our nation's children and youth.
8. Achieve excellence in management practices.

The column headings on the table that follows are keyed to this list of HHS strategic goals. These projects represent OIG's planned ***discretionary*** activities.

A descriptive listing of OIG's planned activities can be found in our work plan, available at www://oig.hhs.gov/publications/workplan.html.

OIG Work Plan Topics - FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management peractices
Public Health Agencies								
Agency for Health Care Research & Quality								
Grants Management Activities					X			X
Centers for Disease Control and Prevention								
Strategic National Stockpile		X						
Bioterrorism Preparedness: Distribution of CHEMPACK		X						
Oversight of Bioterrorism Preparedness and Response Cooperative Agreements: Oversight of Grants Monitoring		X						
Local Health Departments' Bioterrorism Preparedness		X						
Bioterrorism Preparedness: State 24/7 Reporting Systems		X						
State Public Health Laboratories' Bioterrorism Preparedness		X						
Health Alert Network		X						
Early Implementation of Biowatch: An Interagency Review		X						
Compliance With Select Agent Regulations by Private and State Laboratories		X						
Review of Surveillance System								X
Tuberculosis Control Among Undocumented Immigrant Detainees Released Into the Community	X							
Controls Over Grantee Cash Withdrawals								X
Food and Drug Administration								
Integrity of Research Involving Human Subjects								X
Implementation of Clinical Trials Data Bank				X	X			X
FDA Monitoring of Postmarketing Studies	X			X	X			X
FDA Oversight of Reassignments of National Drug Codes								X
FDA Oversight of Direct-to-Consumer Advertising					X			X
FDA Oversight of Off-Label Drug Promotion					X			X
State Licensure of Drug Wholesalers								X

OIG Work Plan Topics - FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management peractices
FDA Oversight of Blood Establishments					X			X
Adverse Event Reporting for Medical Devices					X			X
FDA's Financial Disclosure Requirements for Clinical Investigators								X
Review of FDA Employee Outside Activities								X
Health Resources and Services Administration								
Hospital Surge Capacity		X						
Ryan White CARE Act - Analysis of the Use of Funding								X
Ryan White Grant Programs as a Payer of Last Resort for HIV/AIDS Patients								X
Oversight of Maternal and Child Health Block Grant								X
Oversight of the Children's Hospital Graduate Medical Education Program								X
HRSA's Oversight of the Nursing Workforce Development Grants								X
Oversight of Organ Procurement and Transplantation Network								X
Followup Actions to 340B Drug Discount Program Report, " Appropriateness of 340B Prices								X
Indian Health Service								
Safeguards Over Controlled Substances at IHS								X
Management of the Special Diabetes Program								X
National Institutes of Health								
University Administrative and Clerical Salaries								X
Level of Commitment								X
Safeguards Over Controlled Substances at NIH								X
Royalty Income From Intramural Inventions								X
Employee Conflicts of Interest at NIH								X
Superfund Financial Activities for Fiscal Year 2004								X

OIG Work Plan Topics - FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management peractices
Cross-Cutting Public Health Activities								
Implementation of Select Agent Regulations by University Laboratories		X						
Implementation of Select Agent Regulations by Departmental Laboratories		X						
Bioterrorism Preparedness Expenditures		X						
Risk Determinations in Grant Management								X
Grants to Community Health Centers			X					
Review of Adverse Event Reports by Institutional Review Boards								X
Time and Effort Reporting Compliance Through Single Audits								X
Investigations								
Violations of Select Agent Regulations								X
Legal Counsel								X
Compliance Program Guidance for Recipients of Research Grants								X
Resolution of False Claims Act Cases								X
Legal Counsel								
Compliance Program Guidance for Recipients of Research Grants								X
Resolution of False Claims Act Cases								X
Administration for Children, Families , and Aging								
Child Support								
Review and Adjustment of Child Support Orders						X		
Revocation of Federal Licenses						X		
Undistributed Child Support Collections						X		
Direct Interstate Income Withholding						X		X
States' Use of Work Requirements for Noncustodial Parents						X		X
Investigations Under the Child Support Enforcement Task Force Model						X		
Child Welfare								
State Investigations of Abuse and Neglect							X	

OIG Work Plan Topics - FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management peractices
Tracking Children While in Foster Care							X	X
Foster Care Level-of-Care Classification								X
Foster Care Administrative Costs								X
Adoption Assistance Subsidy Payments						X		
Adoption Assistance Cost Allocations						X		
Statewide Automated Child Welfare Information Systems								X
Costs for Statewide Automated Child Welfare Information System								X
Head Start/Child Care								
Health and Safety Standards at Child Care Facilities						X	X	
Head Start Programs' Use of Quality Improvement Funds								X
Head Start Enrollment						X	X	
Head Start Compensation Practices								X
Head Start Grantee Oversight								X
Head Start Facilities Procurement and Construction Practices								X
Administration on Aging								
Impact of Cost Sharing on Older Americans Act Participation by Low-Income Elderly								X
Department-wide Issues								
Financial Statement Audits								
Audits of FY 2004 Financial Statements								X
FY 2004 Statement on Auditing Standards 70 Examinations								X
FY 2004 Financial-Related Reviews								X
Audits of FY 2005 Financial Statements								X
FY 2005 Statement on Auditing Standards 70 Examinations								X
FY 2005 Financial-Related Reviews								X
Automated Information Systems								
Information Systems Internal Controls - FY 2004								X

OIG Work Plan Topics - FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management peractices
Payment Management System Controls								X
Automated Information System Security Program								X
Use of Social Security Numbers in the Integrated Time and Attendance System								X
Grants and Contracts								
Requested Audit Services								X
State Issues								
Internal Service Funds								X
Joint Work With Other Federal and State Agencies								X
Other Issues								
Annual Accounting of Drug Control Funds								X
Non-Federal Audits								X
Reimbursable Audits								X

OIG-WIDE PERFORMANCE

OIG-Wide Performance Measures

The IG Act and its amendments require the OIG to carry out its mandate across the entire department. The large number and diversity of HHS programs argue for the importance of adopting a few key performance measures that are applicable across programmatic lines. Absent that, we would be confronted with the unrealistic task of setting program-specific performance measures and achievement targets for hundreds of programs. Nevertheless, from time to time there are OIG initiatives which, because of their priority for special attention within the department, warrant having explicit, program-specific performance measures.

To meet this challenge, OIG adopted two direct mission performance measures that apply across programs:

- ✓ OIG Savings
- ✓ Number of Accepted Quality and Management Improvement Recommendations

The OIG initiative with program-specific performance measures and targets is:

- ✓ Improve Child Support Enforcement

OIG Savings consist of:

- *Expected Recoveries,* which includes court and administratively assessed fines, penalties, restitution, and forfeitures; and final audit disallowances

- *Savings from Funds Not Expended as a Result of Implemented OIG Recommendations*, which includes savings resulting from OIG-recommended policy changes implemented through legislative, regulatory, or administrative action.

Number of Accepted Quality and Management Improvement Recommendations – This performance measure addresses nearly all the OIG work that does not relate directly to financial savings, as defined above. Although we consider this an output measure, it could also be considered an intermediate outcome measure because it counts only those recommendations that are *accepted* for implementation. The ultimate outcomes, which the OIG does not have the means to measure, are the results that are actually achieved by HHS program managers who implement the recommendations. These are identified through the OIG's qualitative impact tracking system, which is described below.

Qualitative Impact – Over the years, OIG has devoted significant effort to studying and evaluating the quality of HHS programs. GPRA brought more clearly into focus the

importance of developing ways of documenting the results of OIG work that helps improve HHS programs qualitatively. This work is divided into the two overall groupings of consumer protection and program administration, as shown below:

Consumer Protection -

- increase safety
- improve quality of care
- increase access

Program Administration -

- improve efficiency/effectiveness
- reduce fraud and abuse vulnerability
- increase coordination
- improve controls
- increase compliance
- improve reporting

In planning its program improvement audits, inspections, investigations, and in preparing health industry program advisories, the OIG places special focus on Secretarial and Inspector General priorities. These include:

- Quality of care in nursing homes
- Prevention of disease, illness, and injury
- Improving patient care and safety through technology
- Improving child support enforcement
- Oversight of grants

Reduce Payment Errors – OIG was responsible for the work leading to calculation of the estimated and actual Medicare payment error rates for FYs 1996-2002. While OIG will continue efforts to assist CMS in reducing Medicare payment errors, and increase its efforts in the area of Medicaid payment errors, the ultimate responsibility for reducing these errors rests with CMS; therefore, OIG will no longer include HHS program payment error rates among its own performance measures.

OIG operations are funded from two budget accounts, the discretionary account, which at $39.1 million in FY 2004 represents about 20 percent of the entire budget of the office, and the HCFAC Account, which is authorized a mandatory budget of $150-160 million, and represents the remaining 80 percent of operating funds.

Discretionary Budget Account - Funding for all OIG work is split between discretionary, which pertains to the approximately 300 programs in HHS, other than Medicare/Medicaid, and the HCFAC work.

Health Care Fraud and Abuse Control Budget Account (Mandatory Funding) - Title II of HIPAA states, "...the Secretary, acting through the Office of the Inspector General of the Department of Health and Human Services, and the Attorney General shall establish a program –

- to coordinate Federal, State, and local law enforcement programs to control fraud and abuse with respect to health plans,
- to conduct investigations, audits, evaluations, and inspections relating to the delivery of and payment for health care in the United States,
- to facilitate the enforcement of sections 1128, 1128A, and 1128B, and other statutes applicable to health care fraud and abuse,
- to provide for the modification and establishment of safe harbors and to issue advisory opinions and special fraud alerts pursuant to section 1128D, and
- to provide for the reporting and disclosure of certain final adverse actions against health care providers, suppliers, or practitioners pursuant to the data collection system established under section 1128E."[1]

The Act requires the Attorney General and the Secretary of HHS annually to "submit jointly a report to Congress which identifies –

- the amounts appropriated to the Trust Fund for the previous fiscal year under paragraph (2)(A) and the source of such amounts; and
- the amounts appropriated from the Trust Fund for such year under paragraph (3) and the justification for the expenditure of such amounts."[2]

Further elaboration of the purposes of the HCFAC section of the HIPAA legislation may be deduced not only from the Act, itself, but from the legislative history, which references a large and growing level of health care fraud and abuse, and the need to take aggressive action to avoid insolvency of the Medicare Trust Fund. The chief author and sponsor of the health care fraud provisions in the Act, Senator William Cohen, referred to both in his Floor Statement prior to passage of the Act. But he made clear in this statement that the fundamental problem that the HCFAC provisions in HIPAA were intended to solve was the need to overcome the long-standing shortage of adequate resources with which to combat health care fraud and abuse effectively. Senator Cohen summarized it on the floor of the Senate as follows:

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[1]Public Law 104-191 – Aug. 21, 1996, Subtitle A - Fraud and Abuse Control Program.

[2]Ibid.

> "The proposal simply provides adequate resources for prosecutors and investigators, long strapped by budget cuts and understaffing, to go after serious patterns and cases of abuse."[1]

The Act brought with it guaranteed annual increases in OIG funding over a seven year period ending in FY 2003, with which to combat the problem of health care fraud and abuse more effectively.

At the present time, the HCFAC annual budget of $160 million is the maximum allowed by the Act. As will be seen from the tables to be presented in this report, OIG HCFAC performance has more than justified itself. Total expected recoveries and savings rose from $7.5 billion in FY 1997 to $29.9 billion in FY 2004.

The OIG Performance Budget Environment

Multi-Year Lag Between Budget Years and OIG Performance – OIG work in any given year generally cannot be associated with the results reported for that year. The reasons for this are the long lead time needed to complete legal actions and commence collection efforts, and the time needed for OIG recommendations, such as legislative changes, to be implemented.

Inability to Measure the Sentinel Effect – Although the most important outcome of OIG effectiveness may be its deterrent effect based on system changes and widespread knowledge of the high likelihood of detection and successful prosecution, data do not exist to measure this.

Unpredictable Events – OIG experience with outcome goals is that, in addition to their achievement being dependent on planned budget and staffing levels, they are also subject to unpredictable events. It is not possible to plan for the "discovery" of a specific instance of fraud, or its dollar amount. When fraud is alleged, the specifics of each case and the unpredictability of the judicial system are pivotal factors in the outcome. In addition, it usually takes several years after the completion of work on a given investigation, audit, or inspection for its outcome to be final, and the results known.

Dependence on the Actions of Others – It is also important to emphasize that OIG returns are highly dependent on the success of the U.S. Attorneys and other components of the DOJ, State authorities, Congress, HHS Operating Divisions, and others, to prosecute criminal and civil cases successfully, arrive at settlement agreements, enact necessary legislation, recover misspent funds, or implement program improvement recommendations. These are functions that are beyond OIG control, and without their effective performance the financial impact of our efforts would be greatly reduced.

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[1] *Congressional Record*, August 2, 1996, page S9511.

Impact on the OIG – Several of the above elements of the OIG performance measurement environment render year-to-year trend analysis of little value to the OIG in setting targets for achievement. In the FY 2004 plan, we began applying a three-year moving average to past results, where appropriate, as a way to reduce year-to-year fluctuations, and recognize, (1) that the results reported are not attributable to the work done in that year; and (2) that entirely unpredictable and uncontrollable events, such as major legal settlement agreements yielding hundreds of millions of dollars, skew the results in the year in which they occur and, therefore, should be spread across multiple years to smooth their impact on the base for setting future targets.

OIG-Wide Performance Analysis

OIG Savings Target and Actual Results - As stated earlier, expected recoveries and savings from funds not expended, which for the sake of brevity, we call "savings", does not lend itself to simple trend analysis as a basis for setting targets. The unpredictability of the dollar amounts and the timing of judicial or administrative resolution of the fraud, waste, and abuse that is found and expected to result in recoveries suggest that a multi-year moving average should be used to smooth the variability of year-to-year results; and serve as a basis for setting goals. The base for the expected recoveries goal for FY 2004 was set using the average of actual results for the most recently available three-year period. The goal was to achieve a 10 percent improvement over the average annual expected recoveries for that period. The goal for FY 2006 continues this approach by using the average of the period from FY 2002 to FY 2004.

Future savings from funds not expended as a result of implemented OIG recommendations is nearly entirely predetermined by CBO scoring and, therefore, does not lend itself to the use of a moving average. The FY 2004 target for this measure was currently known savings plus an additional $1 billion, or $25.6 billion. Applying the same approach, the revised final FY 2005 target is $33.1 billion, and the FY 2006 target is $36.6 billion.

FY 2004 total actual savings was $29.9 billion – a 10 percent improvement over the $25.6 billion target, and 30 percent more than was reported in FY 2003. Strong performance in both components of this savings category contributed to the result.

OIG Expected Recoveries and Savings
(Dollars in Millions)

Performance Measures	Targets	Actual Performance		Reference
		Yearly	3-Yr. Moving Average	
Expected Recoveries from Investigative Receivables and Audit Disallowances	FY 2006: $2,409 FY 2005: $2,190 FY 2004: $1,907 FY 2003: N/A FY 2002: N/A	$2,663 $1,394 $1,916	02-04 $1,991 01-03 $1,740 00-02 $1,734	HHS Strategic Goal 8
Savings from Funds Not Expended, as a Result of Implemented OIG Recommendations	FY 2006: $36,606 FY 2005: $33,146 FY 2004: $25,586 FY 2003: N/A FY 2002: N/A	$27,256 $21,656 $19,882	N/A	HHS Strategic Goal 8
Total Expected Recoveries, and Savings from Funds Not Expended. (outcome measure)	FY 2006: $39,015 FY 2005: $35,336 FY 2004: $25,586 FY 2003: N/A FY 2002: N/A	$29,919 $23,050 $21,798	N/A	[1] HHS Strategic Goal 8

There will be a significant change in "savings from funds not expended" starting in FY 2008. This is when the CBO scored 10-year stream of savings from the BBA ends. Although the FY 2008 performance plan is two years away, we are introducing the change this year for information purposes. This change will also affect the OIG's savings for FY 2008 and beyond. The following table of transitional information is intended to introduce this change. Since OIG savings *targets* strive for an additional $1 billion each year, *actual* FY 2005 and FY 2006 savings should be higher than the currently known savings shown below.

[1] This symbol identifies performance measures which are part of the President's Management Agenda.

FY 2004 Actual, and FY 2005 - FY 2006 *Currently Known* OIG Savings from Funds Not Expended (in millions), with and without Balanced Budget Act (BBA) Savings

	FY 2004	FY 2005	FY 2006
Savings from Funds Not Expended, including BBA	$27,256	$32,156	$35,606
Savings attributable to BBA	$18,280	$19,440	$21,800
Savings from Funds Not Expended, excluding BBA	$8,976	$12,206	$13,806

Qualitative Impact: Improve HHS Programs - Earlier in this plan, we included a description of the OIG approach to documenting qualitative impact. In addition to documenting impact on improving HHS programs, the OIG adopted "The Number of Accepted Quality and Management Improvement Recommendations" as a developmental performance measure for FY 2005. FY 2004 experience of 68 accepted quality and management improvement recommendations is the baseline for this measure. The target for FY 2006 is 70.

Number of Accepted Quality and Management Improvement Recommendations

Performance Measures	Targets	Actual Performance	Reference
Number of Accepted Quality and Management Improvement Recommendations (developmental output measure)	FY 2006: 70 FY 2005: N/A FY 2004: N/A FY 2003: N/A FY 2002: N/A	 68 N/A N/A	HHS Strategic Goals 1-7

The following table summarizes the types of qualitative impact the OIG documented during 2004. The columns represent the kinds of actions taken by the responsible Operating or Staff Division based on recommendations from the OIG. The rows represent different types of implications for consumer protection and program administration resulting from actions taken on OIG recommendations.

There are four categories of actions that are considered qualitative program improvements. Legislative and regulatory changes may occur at the Federal, State, or local level in response to OIG findings and recommendations. A policy change occurs via an official change in written policy. A practice change can take place within the Operating or Staff Division of the Department but does not require any official change in policy.

MATRIX OF OIG QUALITATIVE IMPACT - FY 2004

IMPACT IMPLICATIONS*	IMPACT ACTIONS*				
	Legislative Change	Regulatory Change	Policy Change	Practice Change	Row Totals
Consumer Protection:					
Increase Safety	1	1		1	3
Improve Quality of Care				1	1
Increase Access	5		1	1	7
Program Administration:					
Improve Efficiency, Effectiveness	8	3	1	3	15
Reduce Fraud and Abuse Vulnerability	2		2		4
Increase Coordination	1	1			2
Improve Controls			1		1
Increase Compliance	1	2			3
Improve Reporting					
Column Totals	18	7	5	6	

* The numbers in the matrix reflect instances of actual impact occurring in FY 2004. Any individual report could result in multiple impact actions leading to multiple implications, therefore, the numbers in a given cell are not mutually exclusive.

In FY 2004, the OIG had its greatest qualitative impact through the passage of legislation. This impact was particularly evident in MMA, which contained provisions that can be traced back to recommendations in OIG inspection and audit reports that were issued over the previous five years. Examples of these reports and the provisions of the MMA they helped shape include:

- The inspection, *Emergency Medical Treatment and Labor Act: The Enforcement Process (OEI-09-98-00221),* informed provisions of the MMA mandating that hospitals and physicians receive proper notice when an Emergency Medical Treatment and Labor Act investigation is closed, and that peer review occur before a hospital's provider agreement is terminated. It is estimated that these actions will lead to increased effectiveness and efficiency by reducing unnecessary burden on providers.

- The inspection, *Medicare Reimbursement of Prescription Drugs (OEI-03-00-00310)*, and the audit, *Medicaid Pharmacy Actual Acquisition of Prescription Drugs, (A-06 00-00023),* led to MMA provisions lowering the price of Medicare Part B covered drugs to between 80 and 85 percent of Average Wholesale Price. Also, Centers for Medicare and Medicaid Services (CMS) contracted with a single drug pricing entity to set uniform Medicare reimbursement amounts for all Medicare carriers. These actions can be expected to lead to improved consumer protection by ensuring that Medicare beneficiaries across the country have a uniform co-payment for prescription drugs.

- The MMA established calendar year 2005 medical equipment payment rates based on information contained in the inspection report, *Comparing Medicare Payments for Medical Equipment to Other Payers and Retailers (OEI-03-01-00680).* This action is expected to protect consumers by ensuring that Medicare beneficiaries and providers don't overpay for medical equipment.

While our impact documentation system is designed to capture the qualitative effects of OIG work, there also can be large Federal savings. The CBO estimates that legislation based on the three reports highlighted above will save the Medicare program $26 billion over 10 years.

Here are other FY 2004 examples of OIG qualitative impact beyond MMA:

- Based on recommendations in the report, *Oversight of Medicare PPS-Exempt Hospital Services (OEI-12-02-00170)*, CMS revised its instructions to fiscal intermediaries, allowing them to perform medical review functions in inpatient rehabilitation facilities, psychiatric hospitals, critical access hospitals, and long-term care hospitals. It is expected that the new instructions will improve CMS' oversight controls and reduce Medicare's vulnerability to fraud and abuse by these providers.

- Based on recommendations in our report, *Adverse Event Reporting for Dietary Supplements (OEI-01-00-00180)*, The Food and Drug Administration (FDA) published an interim final rule implementing its new authority to require retail food

manufacturers and dietary supplement manufacturers to register with the FDA. The FDA was given this authority in the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. This action is expected to lead to more efficient and effective reviews of adverse event reports related to dietary supplements as well as increased consumer protection and safety.

- As a result of the findings in our report, *Effectiveness of Access and Visitation Grants (OEI-05-02-00300)*, demonstrating the positive outcomes of access and visitation services on the behavioral, emotional, and financial well-being of children, the Administration for Children and Families (ACF) received an increase in funding for these services in the FY 2004 budget. We expect this additional funding will mean increased access to effective services for children and non-custodial parents.

OIG work often raises or contributes to the public dialogue on a particular programmatic issue. While some inspections may not immediately result in legislative, regulatory, policy, or practice changes, they might enhance the discussion of an issue by bringing forward relevant findings and recommendations.

Examples of inspections that have contributed to public discussions on various issues in FY 2004 include:

- In April 2004, the Acting Principal Deputy Inspector General testified before the U.S. Senate Finance Committee on the topic of power wheelchairs. The information presented was based on findings and recommendations from our report, *Medicare Payments for Power Wheelchairs (OEI-03-02-00600)*.

- The report, *Younger Nursing Facility Residents with Mental Illness: An Unidentified Population (OEI-05-99-00701)*, was cited in an article published in the December 10, 2003 *New York Times*.

- The report, *Medicaid Mental Health Expenditures (OEI-05-02-00080)*, was cited in the Grants Management Advisory Service's *Federal Grants Management Handbook* published in November 2003.

- The findings and recommendations from the report, *Home Dialysis Payment Vulnerabilities (OEI-07-01-00570)*, were cited in the October 2003 MedPAC report to Congress, "Modernizing the Outpatient Dialysis Payment System".

- The report, *Variation in State Medicaid Drug Prices (OEI-05-02-00681)*, was cited in several mass print media outlets in September 2004. It was cited by the Bloomberg News on September 25 in an article entitled, *Medicaid Drug Prices Vary Widely*. The Boston Globe cited it in a September 27 article, *States Face Medicare Drug Price Handicap: Data Secrecy by US Hinders Efforts to Get Best Deals from Firms*. The

Chicago Tribune on September 30 cited this report in the article, *Conflicting Drug Prices Cost Medicaid: Report.* It was discussed at a House Energy and Commerce Hearing in December 2004.

Work in Partnership with CMS to Reduce Medicare Payment Errors - OIG was responsible for the work leading to calculation of the estimated and actual Medicare payment error rates for FYs 1996-2002. While the OIG is continuing its efforts to assist CMS in reducing Medicare and Medicaid payment errors, the responsibility for reducing these errors rests with CMS; therefore, OIG no longer includes program payment error rates among its own performance measures.

Work in Partnership with CMS to Reduce the Medicare Payment Error Rate

Performance Measures	Targets	Actual Performance	Reference
Medicare Payment Error Rate (outcome measure)	FY 2006: discontinued FY 2005: discontinued FY 2004: 4.8% FY 2003: 5% FY 2002: 5%	 due from CMS 5.8% 6.3%	HHS Strategic Goal 8

Improve Child Support Enforcement - The OIG began conducting investigations of child support violators shortly after the passage of the Child Support Recovery Act of 1992 (the Act), making it a Federal misdemeanor crime for a parent in one state to refuse to pay past due support for a child in another state, when the support had been owed for more than one year, or exceeded $5,000. Any subsequent offense was a felony. An amendment to this Act created two other felony provisions for the most egregious first time violators.

In 1998, the OIG and OCSE initiated the PSOC, a task force model that was created to coordinate, identify, investigate, and prosecute criminal non-support cases. This model began as a pilot project in three states. By 2003, PSOC had successfully grown to ten task forces covering all 50 states. The PSOC was established to support efforts to process the child support cases through the Federal system, and help the states locate the obligor and identify his/her assets. With PSOC assisting states, there are now fewer referrals for Federal investigation.

Under PSOC, the OIG made the detection, investigation, and prosecution of absent parents who fail to pay court-ordered child support a priority, working with the OCSE, DOJ, U.S. Attorney's Offices, U.S. Marshals Service, and other Federal, State, and local partners to develop procedures to expedite the collection of child support and to bring to justice those who willfully disregard their obligations. In pursuing child support investigations, the OIG established strict criteria for the investigation of the most egregious offenders after the States had exhausted all efforts to locate and enforce the obligors to pay their financial obligation. The coordination of State sweeps with the OIG's Federal sweep in FY 2003 netted 250 defaulters who collectively owed over $4 million in child support obligations.

As shown in the table below, FY 2004 performance for each measure declined for the year. There were 169 convictions in FY 2004 – 36 fewer than in 2003; and FY 2004 fines, penalties, and restitution to be collected totaled $8.3 million – $1.3 million less than was reported in FY 2003. We attribute the drop to reduced referrals for Federal investigation as the States increasingly implement PSOC strategies that have demonstrated their value. As a result, OIG CSE performance measures are being discontinued.

The OIG will continue to coordinate with Federal and State partners to pursue obligors who fail to pay their child support obligations, but will no longer include this work as part of its annual performance plan.

Child Support Enforcement Convictions and Fines/Penalties/Restitution

Performance Measures	Targets	Actual Performance	Reference
Convictions (outcome measure)	FY 2006: Discontinued FY 2005: Discontinued FY 2004: 225 FY 2003: 250 FY 2002: N/A	 169 205 152 (baseline)	HHS Strategic Goal 7
Fines, Penalties, & Restitution to be Collected (outcome measure)	FY 2006: Discontinued FY 2005: Discontinued FY 2004: $10 M FY 2003: $10 M FY 2002: N/A	 $8.3 M $9.6 M $7.0 M (baseline)	HHS Strategic Goal 7

Changes and Improvements Over Previous Year

Summary of Changes to the FY 2005 Performance Plan

FY 2005 Performance Measure	Revised Final FY 2005 Performance Measure	Explanation of Change
Work in partnership with CMS to reduce the Medicare payment error rate	Discontinued	While the OIG continues to assist in this area, the responsibility for reducing payment errors rests with CMS; therefore, OIG no longer includes program payment error rates among its own performance measures.
Improve Child Support Enforcement	Discontinued	While the OIG continues to assist in this area, the number of referrals for Federal investigation have declined. The primary responsibility for collecting child support and for judicial enforcement of support obligations rests with the States.

Partnerships and Coordination

The importance of teamwork with other organizations cannot be overemphasized. Without it, much of the work of the OIG would be unable to bear fruit. OIG works closely, on an ongoing basis, with the DOJ, the States, and all components of HHS. The following are examples:

The OIG conducts criminal, civil, and administrative investigations of alleged wrongdoing in HHS programs or to HHS beneficiaries. Many of these investigations lead to criminal convictions, administrative sanctions, or civil monetary penalties. The OIG has the authority to impose sanctions and penalties, but it relies on the U.S. Attorneys of the DOJ to obtain convictions in the Federal courts. By the same token, the quality and quantity of its investigations have a direct bearing on the success of its associates in the criminal justice system. The practical effect of this is that the OIG relies on the efforts of the entire system, of which it is but one part, as the means for achieving its results.

The OIG also partners with State auditors, inspectors general, State agencies, and HHS financial managers on Medicaid issues including prescription drugs, clinical laboratory services, the drug rebates program, and durable medical equipment. Future initiatives will address managed care issues, hospital transfers, outpatient therapy, and transportation services.

Data Verification and Validation

The quantitative data used by the OIG have been collected and substantiated in a consistent manner as part of the legislatively mandated Semiannual Report to Congress. The qualitative data includes documentation for each achievement claimed.

The Government Accountability Office (GAO) continues to perform validity checks of OIG savings achieved through the HCFAC Program. The savings associated with legislative changes are provided by CBO, and those associated with regulatory changes are provided by the Department. The role of the OIG in contributing to the substantial savings resulting from the BBA was independently verified by the GAO and was the subject of a hearing before the House Ways and Means Health Subcommittee. In addition, with several entities independent of the OIG (including DOJ and HHS Operating Divisions) playing essential roles as team members in task forces, in prosecuting cases developed by the OIG, or implementing OIG recommendations, reconciliation of the results of these joint efforts is an integral part of the process.

Exhibits

Appropriation Language

OFFICE OF INSPECTOR GENERAL

For expenses necessary for the Office of Inspector General, including the hire of passenger motor vehicles for investigations, in carrying out the provisions of the Inspector General Act of 1978, as amended, [$40,323,000] *$39,813,000: Provided*, That of such amount, necessary sums are available for providing protective services to the Secretary and investigating non-payment of child support cases for which non-payment is a Federal offense under 18 U.S.C. Section 228. Section 220 of division F of the Consolidated Appropriations Act, 2005 (P.L. 108-447) is amended by inserting ", to remain available until September 30, 2006", after "$25,000,000". *(Department of Health and Human Services Appropriations Act, 2005)*

LANGUAGE ANALYSIS

Language Provision	Explanation
Section 220 of division F of the Consolidated Appropriations Act, 2005 (P.L. 108-447) is amended by inserting ", to remain available until September 30, 2006", after "$25,000,000".	Section 1015 of MMA appropriated $1 billion to CMS and the Social Security Administration for purposes of carrying out the Act, with the caveat that the money would be available only until September 30, 2005. A year later, the HHS/OIG appropriation for 2005 transferred $25 million of these funds to the HHS OIG. The Administration is now seeking to extend spending authority for the $1 billion for an additional year. The proposed change to the OIG appropriation would ensure that the $25 million in MMA funds transferred to the OIG under the Consolidated Appropriations Act of 2005 would also be extended through September 2006.

OFFICE OF INSPECTOR GENERAL
AMOUNTS AVAILABLE FOR OBLIGATION[1]

	FY 2004 Actual	FY 2005 Appropriation	FY 2006 Estimate
Discretionary Appropriation	$39,094,000	$40,323,000	$39,813,000
Reduction Pursuant P.L. 108-447		-393,000	
Subtotal, adjusted appropriation	$39,094,000	$39,930,000	$39,813,000
Unobligated balance lapsing	-80,000	--	--
Total, discretionary obligations	$39,014,000	$39,930,000	$39,813,000
Mandatory Appropriation[2] Health Care Fraud and Abuse Control Program	$160,000,000	$160,000,000	$160,000,000
Subtotal HCFAC	$160,000,000	$160,000,000	$160,000,000
Unobligated balance lapsing	-325,415	--	--
Total, HCFAC obligations	$159,675,000	$160,000,000	$160,000,000
Offsetting collections from: Trust Funds (MMA) P.L. 108-447	--	$ 25,000,000	--
Total, offsetting collections	--	$ 25,000,000	--
Total obligations	$198,689,000	$224,930,000	$199,813,000

[1]Excludes reimbursable funding and FTE as follows: Discretionary FY 2004 - $20,197,000 and 58 FTE; FY 2005 - $19,367,000 and 40 FTE; FY 2006 - $19,519,000 and 38 FTE; HCFAC FY 2004 - $3,663,000 and 15 FTE; FY 2005 - $7,730,000 and 15 FTE; and FY 2006 - $4,789,000 and 15 FTE.

[2]The FY 2006 level of mandatory funding for the OIG is an estimate. Actual allocation of the funds for the HCFAC Program will be determined jointly by the Secretary of HHS and the Attorney General.

OFFICE OF INSPECTOR GENERAL
SUMMARY OF CHANGES
DISCRETIONARY APPROPRIATION

2005 Appropriation Total Estimated Budget Authority (Obligations)	$39,930,000
2006 Estimate (Obligations)	$39,813,000
Net change (Obligations)	-$117,000

	2005 BASE		CHANGE FROM BASE	
BASE	FTE	BUDGET AUTHORITY	FTE	BUDGET AUTHORITY
Increases				
A. Built-in:				
1. Annualization of January 2005 pay raise	(278)	$29,604,000	(-10)	+$259,000
2. Effect of January 2006 pay raise	(278)	$29,604,000	(-10)	+$511,000
3. WIGI/Promotions	(278)	$29,604,000	(-10)	+$533,000
5. Effect of rate changes for various mandatory charges (rent, PSC, IT, UFMS, etc.)		$10,326,000	(-10)	+$184,000
Subtotal			(-10)	+$1,487,000
Decreases				
A. Built-in:				
1. One Less Day of Pay				-$118,000
Subtotal				-$118,000
B. Program				
1. Reductions in FTE and Administrative Expenses				-$1,486,000
Subtotal				-$1,486,000
Total Decreases				-$1,604,000
Net Change				-$117,000

OFFICE OF INSPECTOR GENERAL
BUDGET AUTHORITY BY ACTIVITY [1]
(Dollars in Thousands)

	FY 2004 Actual		FY 2005 Final Appropriation		FY 2006	
	FTE	Amount	FTE	Amount	FTE	Amount
Discretionary	284	$ 39,094	278	$ 39,930	268	$ 39,813
Mandatory [2]	1,143	$160,000	1,110	$160,000	1,074	$160,000
Trust Fund (MMA)	--	--	64	25,000	--	--
Total	1,427	$199,094	1,452	$224,930	1,342	$199,813

[1] Excludes reimbursable funding and FTE as follows: Discretionary FY 2004 - $20,197,000 and 58 FTE; FY 2005 - $19,367,000 and 40 FTE; FY 2006 - $19,519,000 and 38 FTE; HCFAC FY 2004 - $3,663,000 and 15 FTE; FY 2005 - $7,730,000 and 15 FTE; and FY 2006 - $4,789,000 and 15 FTE.

[2] The FY 2006 level of mandatory funding for the OIG is an estimate. Actual allocation of the funds for the HCFAC Program will be determined jointly by the Secretary of HHS and the Attorney General.

OFFICE OF INSPECTOR GENERAL
BUDGET AUTHORITY BY OBJECT
DISCRETIONARY APPROPRIATION

	2005 Appropriation	2006 Estimate	Increase or Decrease
Full-time Equivalent Employment	278	268	-10
Full-time Equivalent of Overtime and Holiday Hours	1	1	--
Average SES Salary	$143,500	$143,500	+$0
Average GS Grade	11.9	12.0	+.1
Average GS Salary	$80,902	$84,139	+$3,237
Personnel Compensation:			
Full-time Permanent	$21,817,000	$21,874,000	+57,000
Other than Full-time Permanent	356,000	357,000	+1,000
Other Personnel Compensation	307,000	308,000	+1,000
Military Personnel	10,000	10,000	+0
Total Personnel Compensation	$22,490,000	$22,549,000	+$59,000
Civilian Personnel Benefits	7,110,000	7,128,000	+18,000
Military Personnel Benefits	4,000	4,000	+0
Benefits to Former Personnel	0	0	+0
Subtotal, Pay Costs Current Law	$29,604,000	$29,681,000	+$77,000
Travel	1,494,000	1,462,000	-32,000
Transportation of Things	388,000	378,000	-10,000
Rental Payments to GSA	2,988,000	2,924,000	-64,000
Rental Payments to Others	87,000	86,000	-1,000
Communications, Utilities, & Misc. Charges	515,000	504,000	-11,000
Printing and Reproduction	14,000	14,000	-0
Advisory and Assistance Services	96,000	94,000	-2,000
Other Services	252,000	246,000	-6,000
Purchases of Goods and Services from Other Government Accounts	3,461,000	3,415,000	-46,000
Operations and Maintenance	240,000	235,000	-5,000
Subtotal, Contractual Services Current Law	$4,049,000	$3,990,000	-$59,000
Supplies and Materials	330,000	323,000	-7,000
Equipment	461,000	451,000	-10,000
Subtotal, Non-pay Costs	$10,326,000	$10,132,000	-$194,000
Total BA by Object Class	$39,930,000	$39,813,000	-$117,000

OFFICE OF INSPECTOR GENERAL
SALARIES AND EXPENSES
(Discretionary Budget Authority)

	2005 Appropriation	2006 Estimate	Increase or Decrease
Personnel Compensation			
Full-time Permanent (11.1)	$21,817,000	$21,874,000	+$57,000
Other than Full-time Permanent (11.3)	356,000	357,000	+1,000
Other Personnel Compensation (11.5)	307,000	308,000	+1,000
Military Personnel (11.7)	10,000	10,000	+0
Total Personnel Compensation (11.9)	$22,490,000	$22,549,000	+$59,000
Civilian Personnel Benefits (12.1)	7,110,000	7,128,000	+18,000
Military Personnel Benefits (12.2)	4,000	4,000	+0
Benefits to Former Personnel (13.0)	0	0	0
Subtotal, Pay Costs	$29,604,000	$29,681,000	+$77,000
Travel (21.0)	1,494,000	1,462,000	-32,000
Transportation of Things (22.0)	388,000	378,000	-10,000
Rental Payments to Others (23.2)	87,000	86,000	-1,000
Communications, Utilities, and Misc. Charges (23.3)	515,000	504,000	-11,000
Printing and Reproduction (24.0)	14,000	14,000	-0
Advisory and Assistance Services (25.1)	96,000	94,000	-2,000
Other Services (25.2)	252,000	246,000	-6,000
Purchases of Goods and Services from Other Government Accounts (25.3)	3,461,000	3,415,000	-46,000
Operations and Maintenance (25.7)	240,000	235,000	-5,000
Subtotal Contractual Services	$4,049,000	$3,990,000	-$59,000
Supplies and Materials (26.0)	330,000	323,000	-7,000
Subtotal, Non-pay Costs	$6,877,000	$6,757,000	-$120,000
Total	$36,481,000	$36,438,000	-$43,000

OFFICE OF INSPECTOR GENERAL
AUTHORIZING LEGISLATION

	2005 Amount Authorized	2005 Appropriation	2006 Amount Authorized	2006 Budget Request
Office of Inspector General:				
P.L. 95-452, as amended	Indefinite	$39,930,000	Indefinite	$39,813,000
P.L. 104-191[1]	$150,000,000/ $160,000,000	$160,000,000	$150,000,000/ $160,000,000	$160,000,000

[1]The FY 2006 level of mandatory funding for the OIG is an estimate. Actual allocation of the funds for the HCFAC Program will be determined jointly by the Secretary of HHS and the Attorney General.

OFFICE OF INSPECTOR GENERAL
APPROPRIATIONS HISTORY TABLE

	Budget Estimate to Congress	House Allowance	Senate Allowance	Net Enacted Appropriation
FY 1997				
Discretionary	56,139,000	29,399,000	29,399,000	32,999,000
Rescission	---	---	---	-230,000
Mandatory	---	---	---	70,000,000
FY 1998				
Discretionary	31,921,000	30,921,000	31,921,000	31,921,000
Mandatory	--	--	--	85,680,000
FY 1999				
Discretionary	29,000,000	29,000,000	29,0000,000	29,000,000
Mandatory	--	--	--	100,000,000
Supplemental	--	--	--	5,400,000
FY 2000				
Discretionary	31,500,000	29,000,000	35,000,000	31,500,000
Rescission	--	--	--	-106,000
Mandatory	119,250,000	--	--	119,250,000
FY 2001				
Discretionary	33,849,000	31,394,000	33,849,000	33,849,000
Rescission	-151,000	--	--	-63,000
Mandatory	130,000,000	120,000,000	130,000,000	130,000,000
FY 2002				
Discretionary	35,786,000	35,786,000	35,786,000	35,786,000
Rescission	--	–	–	-228,000
Mandatory	150,000,000	130,000,000	150,000,000	145,000,000
FY 2003[1]				
Discretionary	39,497,000	39,497,000	39,497,000	39,300,000
Rescission	--	--	–	-242,450
Mandatory	160,000,000	160,000,000	160,000,000	160,000,000
FY 2004				
Discretionary	39,497,000	39,497,000	39,497,000	39,094,000
Rescission	--	--	--	-403,000
Mandatory	160,000,000	160,000,000	160,000,000	160,000,000
FY 2005				
Discretionary	40,323,000	40,323,000	40,323,000	39,930,000
Rescission	--	--	--	-393,000
Mandatory	160,000,000	160,000,000	160,000,000	160,000,000
Trust Fund (MMA)	--	--	--	25,000,000
FY 2006				
Discretionary	39,813,000			
Mandatory	160,000,000			

[1]The FY 2006 level of mandatory funding for the OIG is an estimate. Actual allocation of the funds for the HCFAC Program will be determined jointly by the Secretary of HHS and the Attorney General.

OFFICE OF INSPECTOR GENERAL
Detail of Full-Time Equivalent (FTE) Employment[1]

	2004 Actual	2005 Estimate	2006 Estimate
Discretionary	284	278	268
Mandatory	1,143	1,110	1,074
Trust Fund (MMA)	--	64	--
Total, OIG	1,427	1,452	1,342

Average GS/GM Grade

Fiscal Year	Average Grade
2001	11.4
2002	11.4
2003	11.9
2004	11.9
2005	12.0

[1]Excludes FTE as follows: Discretionary - FY 2004 58 FTE; FY 2005 40 FTE; FY 2006 38 FTE; HCFAC - FY 2004 15 FTE; FY 2005 15 FTE; FY 2006 15 FTE.

OFFICE OF INSPECTOR GENERAL
DETAIL OF POSITIONS[1]

	2004Actual	2005 Estimate	2006 Request
Executive Level I	--	--	--
Executive Level II	--	--	--
Executive Level III	--	--	--
Executive Level IV	1	1	1
Executive Level V	--	--	--
Subtotal	1	1	1
Total - Exec. Level Salaries	$140,300	$140,300	$140,300
ES-6	0	0	0
ES-5	1	1	1
ES-4	5	5	5
ES-3	6	6	6
ES-2	2	2	2
ES-1	0	0	0
Subtotal	14	14	14
Total ES Salaries	$2,009,000	$2,009,000	$2,009,000
GS-15	64	64	63
GS-14	172	172	166
GS-13	453	465	441
GS-12	446	455	426
GS-11	157	159	136
GS-10	2	1	1
GS-9	56	62	39
GS-8	24	24	21
GS-7	41	41	38
GS-6	9	9	9
GS-5	9	8	8
GS-4	4	4	4
GS-3	2	1	1
GS-2	0	0	1
GS-1	1	1	0
Total - GS Positions	1,440	1,466	1,354
Total Positions	1,455	1,481	1,369
Total FTE Ceiling, EOY	1,427	1,452	1,342
Average ES Grade	ES-3	ES-3	ES-3
Average ES Salary	$143,500	$143,500	$143,500
Average GS Grade	11.9	12.0	12.0
Average GS Salary	$79,315	$80,902	$84,139
Average Special Pay (Commission Corp)	$54,544	$56,235	$57,922

[1]Excludes reimbursable FTE as follows: Discretionary - FY 2004 58 F TE; FY 2005 40 FTE; FY 2006 38 FTE; HCFAC - FY 2004 15 FTE; FY 2005 15 FTE; FY 2006 15 FTE.

UNIFIED FINANCIAL MANAGEMENT SYSTEM

The Unified Financial Management System (UFMS) is being implemented to replace five legacy accounting systems currently used across the Operating Divisions (OPDIV). The UFMS will integrate the Department's financial management structure and provide HHS leaders with a more timely and coordinated view of critical financial management information. The system will also facilitate shared services among the Agencies and thereby, help management reduce substantially the cost of providing accounting service throughout HHS. Similarly, UFMS, by generating timely, reliable, and consistent financial information, will enable the component agencies and program administrators to make more timely and informed decisions regarding their operations. The OIG requests $1,700,554 to support these efforts in FY 2006.

The Program Management Office (PMO) and the Program Support Center (PSC) have commenced Operations and Maintenance (O&M) activities for UFMS in FY 2004. The PMO and the PSC will provide the O&M activities to support UFMS. The scope of proposed O&M services includes post-deployment support and ongoing business and technical operations services. Post-deployment services include supplemental functional support, training, change management, and technical help-desk services. On-going business operation services involve core functional support, training and communications, and help-desk services. On-going technical services include the operations and maintenance of the UFMS production and development environments, on-going development support, and backup and disaster recovery services. The OIG requests $698,255 to support these efforts in FY 2006.

ENTERPRISE INFORMATION TECHNOLOGY FUND

The OIG request includes funding to support the President's Management Agenda Expanding E-Gov initiatives and departmental enterprise information technology initiatives. Agency funds will be combined with resources in the Information Technology Security and Innovation Fund to finance specific information technology initiatives identified through the HHS strategic planning process and approved by the HHS IT Investment Review Board. These enterprise information technology initiatives promote collaboration in planning and project management and achieve common goals such as secure and reliable communications and lower costs for the purchase and maintenance of hardware and software. Examples of HHS enterprise initiatives currently being funded are Enterprise Architecture, Enterprise E-mail, Network Modernization, and Public Key Infrastructure.

HCFAC

Health Care Fraud And Abuse Control Program
OFFICE OF INSPECTOR GENERAL
(Dollars in Thousands)

	FY 2004	FY 2005	FY 2006
Amount[1]	$160,000	$160,000	$160,000
FTE	1,143	1,110	1,074

General Statement

The Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191, HIPAA or the Act), created the Health Care Fraud and Abuse Control (HCFAC) Program (at Section 1128C of the Social Security Act). HIPAA centralized coordination of health care fraud enforcement activities in a single program, led by HHS and DOJ, and provided powerful new criminal and civil enforcement tools and increased resources dedicated to the fight against health care fraud.

The Act requires that an amount equaling recoveries from health care investigations — including criminal fines, forfeitures, civil settlements and judgments, and administrative penalties, but excluding restitution, compensation to the victim agency, and relators' shares — be deposited in the Medicare Trust Fund. All funds deposited in the Trust Fund as a result of the Act are available for the operations of the Trust Fund.

The Act appropriates monies from the Medicare Trust Fund to the HCFAC Account in amounts that the Secretary and Attorney General jointly certify are necessary to finance anti-fraud activities. The maximum amounts available are specified in the Act. Certain of these sums are to be available only for activities of the HHS/OIG.

With these HCFAC resources, OIG conducted or participated in 567 successful health care prosecutions or settlements in FY 2003. A total of 3,275 individuals and entities were excluded, many as a result of criminal convictions for crimes related to Medicare and Medicaid, or to other health care programs, for patient abuse or neglect, based on licensure revocations.

The Department acted on OIG recommendations and disallowed over $42.5 million in improperly paid health care funds in FY 2003. OIG continues to work with CMS to develop and implement recommendations to correct systemic vulnerabilities detected during OIG evaluations and audits. These corrective actions often result in health care funds not being expended (that is, funds are put to better use through the action of implementing OIG recommendations).

The resources made available under HIPAA have enabled the OIG to enhance its efforts to both detect fraud and abuse, and to *prevent* it. Equally important, OIG's prevention activities reduce the government's enforcement costs and program losses.

[1]The FY 2006 level of mandatory funding for the OIG is an estimate. Actual allocation of the funds for the HCFAC Program will be determined jointly by the Secretary of HHS and the Attorney General.

A more extensive discussion of the results of this program can be found in the FY 2003 Annual Report of the Health Care Fraud and Abuse Control Program and the OIG Semi-Annual Reports. Available reports can be accessed on our website: www://oig.hhs.gov/publications.html.

Planned HCFAC Activities

The OIG continues to play a key role in the Department's activities to reduce the incidence of fraud, waste, and abuse in Medicare and Medicaid. The OIG role features collaboration with other Department components, other Federal units (such as the DOJ) and State and local agencies (such as the State Medicaid Fraud Control Units). The OIG and the other HCFAC partners emphasize an interdisciplinary and intergovernmental approach to improve the government's ability to identify fraudulent and abusive health care providers, and correct systemic problems. The coordinated effort draws on the talents of local aging organizations, State survey officials, and ombudsmen in identifying and reporting fraud and abuse. The 1-800-HHS-TIPS Hotline is an important part of the program. In addition, OIG continues to form associations with the health care industry to publicize "best practices," promote voluntary compliance plans, and consult on program integrity strategies.

The OIG is a level-of-effort organization - using the resources available to select initiatives that provide the most advantageous coverage of the Department's Medicare and Medicaid programs. Every FTE counts in the oversight OIG can provide.

The OIG's work planning process is designed to meet the primary objective of ensuring that its resources are deployed most effectively to assist the Department, the Administration, and the Congress in achieving their goals and to reduce fraud, waste, and abuse. Because of the need to continually re-evaluate OIG work to meet emerging issues and allegations, it is not practical for OIG to plan specific work assignments beyond one year. The following table provides a matrix of OIG's current work plan and the relationship to the HHS Strategic Goals.

Relationship of OIG Current HCFAC Work to HHS Strategic Goals

HHS Strategic Goals

1. Reduce the major threats to the health and well-being of Americans.
2. Enhance the ability of the nation's health care system to effectively respond to bioterrorism and other public health challenges.
3. Increase the percentage of the nation's children and adults who have access to regular health care and expand consumer choices.
4. Enhance the capacity and productivity of the nation's health science research enterprise.
5. Improve the quality of health care services.
6. Improve the economic and social well-being of individuals, families, and communities, especially those most in need.
7. Improve the stability and healthy development of our nation's children and youth.
8. Achieve excellence in management practices.

The column headings on the table that follows are keyed to this list of HHS strategic goals. A descriptive listing of OIG's planned activities can be found in our Work Plan, available at www://oig.hhs.gov/publications.html.

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
Centers for Medicare and Medicaid Services								
Medicare Hospitals								
Oversight of Nonaccredited Hospitals					X			
Oversight of the Joint Commission on Accreditation of Health Care Organizations					X			
Medical Education Paymnts for Dental and Podiatry Residents								X
Nursing and Allied Health Education Payments								X
Inpatient Capital Payments								X
Inpatient Prospective Payment System Update Factors								X
Inpatient Outlier and Other Charge-Related Issues								X
Long-Term-Care Hospital Payments								X
Consecutive Inpatient Stays								X
Organ Acquisition Costs					X			X
Medical Necessity of Inpatient Psychiatric Stays								X
Medical Necessity of Inpatient Rehabilitation Facility Stays								X
Inpatient Rehabilitation Payments								X
Home Office Costs-Critical Access Hospitals								X
Diagnosis-Related Group Payment Limits								X
Update on Diagnosis-Related Group Coding								X
Hospital Reporting of Restraint-Related Deaths								X

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
Charges and Payments Under New Prospective Payment Systems								
Coronary Artery Stents								X
Diagnostic Testing in Emergency Rooms								X
Outpatient Prospective Payment System								X
Outpatient Outlier and Other Charge-Related Issues								X
Outpatient Cardiac Rehabilitation Services								X
Medicare Home Health								
Beneficiary Access to Home Health Agencies			X					
Effect of Prospective Payment System on Quality of Home Health Care					X			
Home Health Payment System Controls								X
Home Health Outlier Payments								X
Enhanced Payments for Home Health Therapy								X
Home Health Agencies' Arrangements With Other Facilities								X
								X
Medicare Nursing Homes								
Access to Skilled Nursing Facilities Under the Prospective Payment System			X					

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
Nurse Aide Registries					X			
Nursing Home Reporting of Minimum Data Set					X			
Resource Utilization Group Assignments: Followup								X
Nursing Home Payment System Controls								X
Skilled Nursing Facilities' Involvement in Consecutive Inpatient Stays								X
Part B Payments for Beneficiaries in Nursing Homes					X			X
Imaging and Laboratory Services in Nursing Homes					X			
Nursing Home Compliance With Dietary Services Requirements					X			
State Compliance With Complaint Investigation Guidelines					X			
Nursing Home Informal Dispute Resolution Trends					X			
Nursing Home Enforcement					X			
Medicare Physicians and Other Health Professionals								
Consultations								X
Coding of Evaluation and Management Services								X
Use of Modifier -25								X
Use of Modifiers With National Correct Coding Initiative Edits								X

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
ESRD Monthly Capitation Payment Relative-Value Units								X
Place-of-Service Errors								X
Long Distance Physician Claims								X
Care Plan Oversight								X
Billing for Diagnostic Tests								X
Radiation Therapy Services								X
Services and Supplies Incident to Physicians' Services					X			X
Ordering Physicians Excluded From Medicare								X
Medicare Medical Equipment and Supplies								
Certificates of Medical Necessity								X
Medical Necessity of Durable Medical Equipment								X
Medicare Pricing of Equipment and Supplies								X
Medicare Drug Reimbursement								
Drug Prices Paid by Medicare Versus Other Sources								X
Payments for Non- ESRD Epoetin Alfa								X
Allergy Treatments								X

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
Other Medicare Services								
Inpatient Rehabilitation Payments to Skilled Nursing Facilities, Long-Term Care Hospitals and Inpatient Rehabilitation Facilities								X
Ambulatory Surgical Center Payment Rates								X
Independent Diagnostic Testing Facilities					X			X
Therapy Services Provided by Comprehensive Outpatient Rehabilitation Facilities					X			X
Rural Health Clinics			X		X			
Laboratory Proficiency Testing					X			
Clinical Laboratory Testing Outside Certified Specialties					X			
Hospital Laboratory Services								X
Prevalence of Method II Dialysis in Nursing Homes					X			
New Payment Provisions for Ambulance Services								X
Ambulance Payments								X
Medicare Managed Care								
Adjusted Community Rate Proposals								X
Followup on Adjusted Community Rate Proposals								X
Marketing Practices by Managed Care Organizations			X					

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
Monitoring Compliance With Marketing Provisions			X					
Managed Care "Deeming" Organizations					X			
Managed Care Encounter Data								X
Enhanced Managed Care Payments								X
Enhanced Payments Under the Risk Adjustment Model								X
Managed Care Excessive Medical Costs								X
Duplicate Medicare Payments to Cost-Based Plans								X
Prompt Payment								X
Medicare Contractor Operations								
Pre-award Reviews of Contract Proposals								X
CMS Oversight of Contractor Evaluations								X
Fiscal Intermediary Review of Hospitals Exempt From PPS								X
Program Safeguard Contractor Performance								X
Handling of Beneficiary Inquiries								X
Provider Education and Training by Carriers								X
Suspension of Payments to Providers								X
Contractors' Administrative Costs								X
Pension Segmentation								X

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
Pension Costs Claimed								X
Unfunded Pension Costs								X
Pension Segment Closing								X
Post-retirement Benefits and Supplemental Employee Retirement Plan Costs								X
Medicaid Hospitals								
Medicaid Graduate Medical Education Payments								X
Hospital Outlier Payments								X
Medicaid Diagnosis-Related Group Payment Window								X
Hospital Patient Transfers								X
Medicaid Nursing Homes								
Payments to Public Nursing Facilities					X			X
Payments for Ancillary Services in Nursing Homes								X
Nursing Facility Administrative Costs								X
Nursing Home Quality of Care Sanctions					X			X

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
Medicaid/State Children 's Health Insurance Program								
Coverage of Parents Through SCHIP			X					
Enrollment of Medicaid Eligibles in SCHIP			X					X
Duplicate Claims for Medicaid and SCHIP								X
SCHIP: State Evaluation Reports					X			X
Quality of SCHIP					X			X
Medicaid Drug Reimbursement								
Physician Acquisition Costs								X
Average Manufacturer Price and Average Wholesale Price								X
New Versions of Existing Drugs								X
Medicaid Drug Rebates-Computation of Average Manufacturer Price and Best Price								X
Indexing the Generic Drug Rebate								X
Medicaid Drug Rebate Collections								X
Pricing Drugs in the Federal Upper Limit Program								X
Antipsychotic Drug Claims for Nursing Home Beneficiaries					X			X
Overprescribing of OxyContin								X

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
Other Medicaid Services								
Medicaid Waiver Programs								X
Medicaid Payments for Medicare-Covered Services								X
Contingency Fee Payment Arrangements								X
Upper Payment Limits								X
Calculation of Upper Payment Limits for Transition States								X
Claims for Residents of Institutions for Mental Diseases								X
Assisted Living Facilities								X
Coding of Medicaid Physician Services								X
State-Employed Physicians and Other Practitioners								X
Skilled Professional Medical Personnel								X
Family Planning Services								X
School-Based Health Services					X			X
Chiropractic Benefits for Children Under the EPSDT Program								X
Adult Rehabilitative Services					X			X
Outpatient Alcoholism Services					X			X
Administrative Costs of Other Public Agencies								X
Home- and Community-Based Services Administrative Costs								X

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
Marketing and Enrollment Practices by Medicaid Managed Care Entities			X					
Administrative Costs of Medicaid Managed Care Organizations								X
Payments for Services to Deceased Beneficiaries								X
Medicaid Accounts Receivable								X
Information Systems Controls								
Security Planning for CMS Systems Under Development								X
Systems Controls in Medicare Quality-of-Care Systems								X
Medicaid Statistical Information System								X
State Controls Over Medicaid Payments and Program Eligibility								X
Replacement State Medicaid System								X
Smart Card Technology								X
Compliance With the HIPAA - University Hospitals								X
Compliance With the HIPAA - Managed Care Organizations								X

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
General Administration								
State Medical Boards as a Source of Patient Safety Data					X			
FY 2003 Medicare Error Rate Estimate								X
FY 2004 Medicare Error Rate Estimate								X
Provider Overpayments								X
Medicare Secondary Payer								X
Payments for Services to Dually Eligible Beneficiaries								X
Nursing Home Quality of Care: Best Practices					X			X
Nursing Home Comparison Data					X			
Pmnts to Psych Facils Improperly Certified as Nursing Facils					X			X
Group Purchasing Organizations								X
Corporate Integrity Agreements								X
Investigations								
Health Care Fraud								X
Provider Self-Disclosure								X

OIG Work Plan Topics FY 2005-2006	HHS Strategic Goals							
	1	2	3	4	5	6	7	8
	Reduce the major threats to health and well-being of Americans	Enhance the health care system's response to bioterrorism & other public health challenges	Increase % of Americans with regular health care access and choice	Enhance health science research capacity & productivity	Improve the quality of health care services	Improve the economic and social well-being of individuals, families, and communities	Improve the stability and healthy development of children and youth	Achieve excellence in management practices
Legal Counsel								
Compliance Program Guidance to the Health Care Industry								X
Resolution of False Claims Act Cases and Negotiation of Corporate Integrity Agreements								X
Providers' Compliance With Corporate Integrity Agreements								X
Advisory Opinions and Fraud Alerts								X
Anti-Kickback Safe Harbors								X
Patient Antidumping Statute Enforcement								X
Program Exclusions								X
Civil Monetary Penalties								X

HCFAC Program Assessment Rating Tool

FY 2004 PART

(Dollars in Millions)				
FY 2004 PART	FY 2004 President's Budget	FY 2005 Estimate	FY 04 +/- FY 05	Rating
Health Care Fraud and Abuse Control (HCFAC) Program	150-160	150-160	0	results not demonstrated
Narrative: Funding of the HCFAC program is mandatory and, therefore, is not a component of the OIG discretionary budget.				

Update on FY 2004 HCFAC PART Assessment Findings

Although the HCFAC Program is an inter-agency responsibility of the Secretary of HHS and the Attorney General, the HHS portion of the program was reviewed as part of the FY 2004 budget cycle. The FY 2004 HCFAC PART assessment concluded that this program requires the development of "performance measures that are closely tied to the program's mission; measurable against an established, objective baseline; and can be used to make resource allocation decisions."

The OIG adopted "savings" – an outcome measure – as a new performance measure that is closely tied to the program's mission. Savings consists of: (1) expected recoveries from court and administratively assessed fines, penalties, restitution, and forfeitures; (2) final audit disallowances and other audit recoveries; and (3) savings from funds not expended as a result of the implementation of OIG recommendations through legislative, regulatory, and administrative actions. The savings claimed by the OIG are determined by independent, external entities – primarily the CBO – and are verified by the GAO.

The FY 2004 HCFAC PART review also contained the criticism that the program does not use objective data to establish work plans. To address this finding, in FY 2004 the OIG developed and implemented a comprehensive checklist containing 18 categories of requirements, priorities, and program vulnerabilities to be taken into consideration when developing work plans for the upcoming fiscal year. The categories include HHS top management challenges, PART reviews, strategic goals, program and management objectives, Congressional requests, HHS program financial risk, beneficiary impact, and more.

The OIG believes that these actions fulfill the requirements of the FY 2004 HCFAC PART review.

Program: *Health Care Fraud and Abuse Control (HCFAC)*

Agency: *Department of Health and Human Services*

Bureau: *Office of the Inspector General*

Rating: *Results Not Demonstrated*

Program Type: *Direct Federal*

Last Assessed: *2 years ago*

Key Performance Measures from Latest PART	*Year*	*Target*	*Actual*
Long-term Measure: Measure Under Development			
Annual Measure: Measure Under Development			

Recommended Follow-up Actions	*Status*
Develop performance measures that are closely tied to the program's mission; measurable against an established, objective baseline; and can be used to make resource allocation decisions.	Action taken, but not completed

Update on Follow-up Actions:

Since the PART assessment, the Inspector General has been working to develop a measure of the savings to Medicare resulting from HCFAC. This measure is still being refind, but the target for 2005 is $35.8 billion.

Program Funding Level (in millions of dollars)

2004 Actual	2005 Estimate	2006 Estimate
160	160	160